The Fiscal Monitor

A Publication of the Department of Finance

Highlights

July 2008: budgetary surplus of $1.7 billion

There was a budgetary surplus of $1.7 billion in July 2008, compared to a surplus of $1.1 billion in July 2007. Budgetary revenues were up $1.7 billion, or 8.4 per cent, from July 2007, primarily reflecting higher income tax revenues, as well as higher excise taxes and duties. Program expenses increased by $1.1 billion, or 6.9 per cent, compared to July 2007, reflecting increases in subsidies and other transfers and operating expenses of departments and agencies. Public debt charges remained stable compared to July 2007.

April to July 2008: budgetary surplus of $2.9 billion

For the first four months of the 2008–09 fiscal year, the budgetary surplus is estimated at $2.9 billion, down $3.8 billion from the $6.7-billion surplus reported in the same period of 2007–08. Budgetary revenues increased by $0.6 billion, or 0.7 per cent, as growth in personal income tax, other income tax, sales and excise taxes and other revenues was largely offset by declines in corporate income tax and goods and services tax (GST) revenues. Program expenses were up $4.9 billion, or 8.0 per cent, due to higher transfer payments and operating expenses of departments and agencies.

Monthly program spending growth will initially be higher this year but should moderate by mid-year. This reflects the fact that program spending in the early months of 2007–08 was low, then rose in the second half of the year.

Public debt charges were down $0.5 billion on a year-over-year basis, reflecting reductions in market debt and lower interest rates.

July 2008

There was a budgetary surplus of $1.7 billion in July 2008, compared to a $1.1-billion surplus in July 2007.

Budgetary revenues rose by $1.7 billion, or 8.4 per cent, to $21.6 billion.

- Personal income tax revenues rose $0.8 billion, or 8.5 per cent.
- Corporate income tax revenues were up $0.5 billion, or 15.7 per cent. Corporate income tax revenues can be volatile on a month-to-month basis, as large refunds or settlement payments may be recorded in any given month. In addition, assessments or reassessments, which can relate to activity that took place in prior years, can influence results in a given month.
- Other income tax revenues—withholdings from non-residents—were up $7 million, or 1.6 per cent.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Excise taxes and duties were up $0.3 billion, or 8.2 per cent, driven by higher GST revenues. GST revenues rose by $0.3 billion, or 11.4 per cent. As a value-added tax, the GST can yield volatile net collections on a month-to-month basis due to timing differences between GST owed to the Government and credits claimed for GST paid on inputs. Customs import duties rose by $24 million, sales and excise taxes decreased by $3 million, and revenues from the Air Travellers Security Charge were up $3 million.
- Employment Insurance (EI) premium revenues were virtually unchanged from a year ago, as gains in employment and wages and salaries offset the decline in the premium rate from $1.80 to $1.73 per $100 of insurable earnings effective January 1, 2008.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, were up $0.1 billion, or 3.2 per cent.

Program expenses in July 2008 were $17.0 billion, up $1.1 billion, or 6.9 per cent, from July 2007, reflecting increases in subsidies and other transfers and operating expenses of departments and agencies.

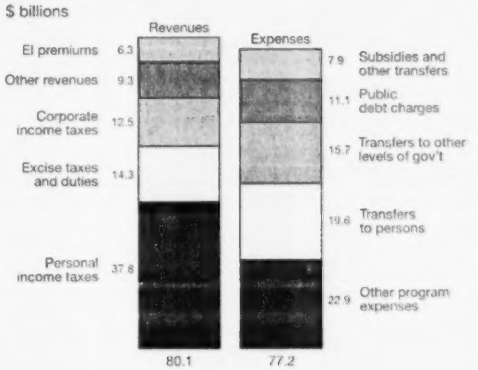
In July 2008, transfer payments were up $0.4 billion, or 4.2 per cent, from July 2007.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased 0.3 per cent. Elderly benefits increased 2.9 per cent and EI benefits decreased 6.1 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, remained stable.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were down $0.1 billion, or 3.0 per cent.
- Subsidies and other transfers increased by $0.5 billion, or 34.3 per cent, reflecting increases in payments related to the investment in infrastructure announced in Budget 2007, which came into effect later in 2007, higher transfers to Newfoundland and Labrador and Nova Scotia under the Offshore Accords, and the timing of payments to international organizations.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses rose $0.7 billion, or 11.9 per cent, between July 2007 and July 2008.

Public debt charges remained stable compared to July 2007.

Revenues and expenses
(April to July 2008)



April to July 2008

Through the first four months of the 2008–09 fiscal year, there was a budgetary surplus of $2.9 billion, down $3.8 billion from the $6.7-billion surplus reported in the same period of 2007–08.

Budgetary revenues increased by $0.6 billion, or 0.7 per cent, to $80.1 billion.

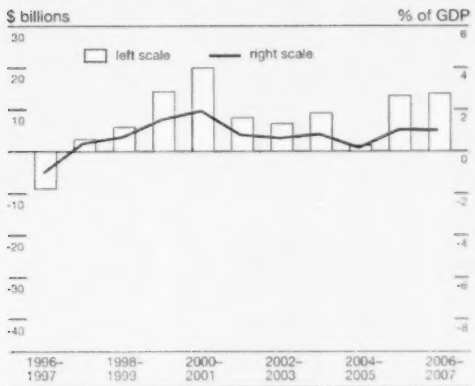
- Personal income tax revenues rose $1.5 billion, or 4.0 per cent, roughly in line with growth in wages and salaries.
- Corporate income tax revenues were down $0.5 billion, or 4.2 per cent.
- Other income tax revenues rose $0.1 billion, or 7.2 per cent.
- Excise taxes and duties decreased by $0.8 billion, or 5.2 per cent, due to a $1.0-billion or 9.6-per-cent decline in GST revenues, partly as a result of the 1-percentage-point reduction in the GST rate effective January 1, 2008. Customs import duties increased by $0.1 billion, sales and excise taxes by $0.2 billion, and revenues from the Air Travellers Security Charge by $4 million.
- EI premium revenues were down $21 million, or 0.3 per cent, reflecting the decline in the premium rate from $1.80 to $1.73 per $100 of insurable earnings effective January 1, 2008.
- Other revenues rose $0.4 billion, or 5.1 per cent.

Program expenses for April to July 2008 were $66.1 billion, up $4.9 billion or 8.0 per cent from the same period last year, reflecting an increase in transfer payments, Crown corporation expenses and operating expenses of departments and agencies.

Transfer payments for April to July 2008 were up $3.5 billion, or 8.8 per cent, from the same period last year.

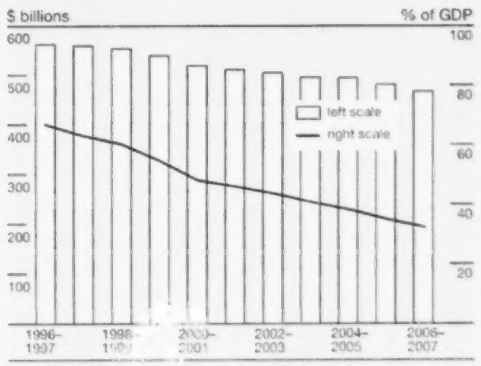
- Major transfers to persons were up $0.5 billion, or 2.5 per cent. Elderly benefits increased by 3.3 per cent and EI benefits by 2.8 per cent. Children's benefits remained stable.
- Major transfers to other levels of government were up $1.4 billion, or 9.4 per cent, reflecting legislated growth in the Canada Health Transfer, Canada Social Transfer and Equalization.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

- Subsidies and other transfers were up $1.7 billion, or 26.5 per cent, mainly reflecting increases in payments related to infrastructure and higher transfers to Newfoundland and Labrador and Nova Scotia under the Offshore Accords.

Other program expenses increased by $1.4 billion, or 6.5 per cent, from last year's level.

Public debt charges decreased by $0.5 billion, or 4.0 per cent, reflecting lower unmatured debt levels and lower interest rates.

Financial requirement of $20.3 billion for April to July 2008

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $2.9 billion and a requirement of $23.2 billion from non-budgetary transactions, there was a financial requirement of $20.3 billion in the April to July 2008 period, compared to a financial source of $6.8 billion in the same period last year. This difference reflects the financial requirement associated with loans to major Crown corporations which were announced in Budget 2007, as well as higher refunds related to the 2007 tax year.

Net financing activities up $14.2 billion

The Government financed this financial requirement of $20.3 billion by increasing market debt by $14.2 billion and reducing cash balances by $6.1 billion. The increase in market debt was achieved largely through the issuance of treasury bills. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of July 2008 stood at $5.2 billion, $1.8 billion above their level at the end of July 2007.

Table 1
Summary statement of transactions

	July		April to July	
	2007	2008	2007–08	2008–09
	($ millions)			
Budgetary transactions				
Revenues	19,885	21,551	79,493	80,078
Expenses				
Program expenses	-15,881	-16,980	-61,184	-66,076
Public debt charges	-2,860	-2,882	-11,560	-11,094
Budgetary balance (deficit/surplus)	1,144	1,689	6,749	2,908
Non-budgetary transactions	679	-2,392	18	-23,203
Financial source/requirement	1,823	-703	6,767	-20,295
Net change in financing activities	-3,246	1,391	-24,614	14,204
Net change in cash balances	-1,423	688	-17,847	-6,091
Cash balance at end of period			3,356	5,154

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	July			April to July		
	2007	2008	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,115	9,893	8.5	36,293	37,752	4.0
Corporate income tax	3,053	3,533	15.7	13,041	12,492	-4.2
Other income tax	440	447	1.6	1,611	1,727	7.2
Total income tax	12,608	13,873	10.0	50,945	51,971	2.0
Excise taxes and duties						
Goods and services tax	2,825	3,147	11.4	10,397	9,401	-9.6
Customs import duties	369	393	6.5	1,299	1,352	4.1
Sales and excise taxes	979	976	-0.3	3,266	3,420	4.7
Air Travellers Security Charge	30	33	10.0	136	140	2.9
Total excise taxes and duties	4,203	4,549	8.2	15,098	14,313	-5.2
Total tax revenues	16,811	18,422	9.6	66,043	66,284	0.4
Employment Insurance premiums	1,316	1,315	-0.1	6,290	6,269	-0.3
Other revenues	1,758	1,814	3.2	7,160	7,525	5.1
Total budgetary revenues	19,885	21,551	8.4	79,493	80,078	0.7

Note: Totals may not add due to rounding.

Table 3

Budgetary expenses

	July			April to July		
	2007	2008	Change	2007–08	2008–09	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,600	2,676	2.9	10,461	10,802	3.3
Employment Insurance benefits	1,143	1,073	-6.1	4,577	4,703	2.8
Children's benefits	1,043	1,051	0.8	4,069	4,087	0.4
Total	4,786	4,800	0.3	19,107	19,592	2.5
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,779	1,886	6.0	7,116	7,543	6.0
Canada Social Transfer	733	880	20.1	3,183	3,519	10.6
Total	2,512	2,766	10.1	10,299	11,062	7.4
Fiscal transfers	1,281	1,286	0.4	4,686	5,102	8.9
Canada's cities and communities	384	0	n/a	386	475	23.1
Alternative Payments for Standing Programs	-262	-254	-3.1	-998	-912	-8.6
Total	3,915	3,798	-3.0	14,373	15,727	9.4
Subsidies and other transfers						
Agriculture and Agri-Food	78	96	23.1	307	305	-0.7
Foreign Affairs and International Trade	19	285	1,400.0	615	896	45.7
Health	292	249	-14.7	784	785	0.1
Human Resources and Social Development	67	127	89.6	583	820	40.7
Indian Affairs and Northern Development	348	321	-7.8	1,679	1,663	-1.0
Industry	204	123	-39.7	558	568	1.8
Other	536	872	62.7	1,710	2,854	66.9
Total	1,544	2,073	34.3	6,236	7,891	26.5
Total transfer payments	10,245	10,671	4.2	39,716	43,210	8.8
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	100	93	-7.0	560	372	-33.6
Canada Mortgage and Housing Corporation	162	197	21.6	616	823	33.6
Other	283	344	21.6	1,353	1,549	14.5
Total	545	634	16.3	2,529	2,744	8.5
Defence	1,443	1,708	18.4	5,120	5,573	8.8
All other departments and agencies	3,648	3,967	8.7	13,819	14,549	5.3
Total other program expenses	5,636	6,309	11.9	21,468	22,866	6.5
Total program expenses	15,881	16,980	6.9	61,184	66,076	8.0
Public debt charges	2,860	2,882	0.8	11,560	11,094	-4.0
Total budgetary expenses	18,741	19,862	6.0	72,744	77,170	6.1

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	July		April to July	
	2007	2008	2007–08	2008–09
		($ millions)		
Budgetary balance (deficit/surplus)	1,144	1,689	6,749	2,908
Non-budgetary transactions				
Capital investing activities	-774	-189	-903	-857
Other investing activities	47	-1,790	140	-11,764
Pension and other accounts	373	594	1,633	1,738
Other activities				
Accounts payable, receivables, accruals and allowances	1,503	-2,547	-4,063	-13,260
Foreign exchange activities	-742	1,281	2,112	-176
Amortization of tangible capital assets	272	259	1,099	1,116
Total other activities	1,033	-1,007	-852	-12,320
Total non-budgetary transactions	679	-2,392	18	-23,203
Financial source/requirement	1,823	-703	6,767	-20,295

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	July		April to July	
	2007	2008	2007–08	2008–09
		($ millions)		
Financial source/requirement	1,823	-703	6,767	-20,295
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	710	1,473	-2,500	388
Treasury bills	-4,200	1,900	-19,100	15,500
Canada Savings Bonds	-178	-34	-441	-93
Other	-105	-124	-498	-491
Total	-3,773	3,215	-22,539	15,304
Foreign currency borrowings	179	-1,968	-398	-1,298
Total	-3,594	1,247	-22,937	14,006
Cross-currency swap revaluation	261	-12	-1,798	69
Unamortized discounts on debt issues	111	163	167	193
Obligations related to capital leases	-24	-7	-46	-64
Net change in financing activities	-3,246	1,391	-24,614	14,204
Change in cash balance	-1,423	688	-17,847	-6,091

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Chris Forbes at 613-995-6391.
Ce document est également offert en français.
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